

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 317 - SB 496**

March 21, 2015

**SUMMARY OF BILL:** Prohibits any short-term lender from assessing an interest rate for any short-term lending transaction that exceeds 28 percent per year. Requires the Commissioner of the Department of Financial Institutions (DFI) to promulgate rules with regard to the appropriate civil penalties for violations of this chapter.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- DFI does not regulate pawn transactions and will not assure compliance with the provisions of this act in regards to such entities. Any impact on local governments is estimated to be not significant.
- DFI will examine regulated entities during regularly scheduled examinations and will accomplish other necessary changes, such as form revisions and examiner training, within existing resources of the Department.
- DFI informs that several definitions of terms and phrases in the proposed legislation, such as interest rate and short-term lending transaction, are unclear, and it is therefore difficult to determine the full impact of the bill on the Department's administrative and regulatory procedures.

**IMPACT TO COMMERCE:**

**Other Impact – A recurring reduction in business revenue and potential market contractions and exits as a result of the proposed interest rate cap. Due to multiple unknown factors, any such impacts cannot be quantified with reasonably certainty.**

Assumptions:

- Limiting the interest rate that can be assessed for any short-term lending transaction to 28 percent per year will likely result in a recurring decrease in business revenue for entities engaged in the business of making short-term lending transactions, especially if such cap is inclusive of all loan charges and fees.

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- It is further possible that lenders engaged in the higher risk, non-traditional lending markets, such as payday lenders, title pledge lenders, industrial loan and thrift companies, flexible credit lenders, etc., may contract their operations or exit the market as a result of this bill.
- Due to multiple unknown variables, such as the average interest charges by industry, industry profits, the exact industries that will be impacted by the interest rate cap, and the exact definition of the interest rate in this bill, any such decrease in business revenue and subsequent market contractions and exits cannot be determined with reasonable certainty.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

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